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City of Tucson, Arizona
Development Impact Fee Program
Discussion Items
June 30, 2014

I. Concerns with Methodology

1. **Service Areas / Levels of Service**
   a. Street and Park Reports
      i. 5 Service Areas were designated yet no determination of existing levels of service ("LOS") within each Service Area was made as required by Arizona Revised Statute 9-463.05 ("Statute").
         1. Statute requires that impact fees be based on the same LOS provided to existing development within the Service Area.
         2. LOS analysis was performed on a City-wide basis not on individual Service Areas.
         3. *Action Requested* – Update the Street and Park Reports to reflect existing LOS in each Service Area.

2. **Street Fee**
   a. Sidewalks
      i. No justification or rational for charging new development for $107.5 million for 430 miles of sidewalks in the Central, West and East Service areas.
         1. Appears to be a correction of an existing deficiency (See City of Tucson ADA Sidewalk Inventory Report – 2012) which is in direct conflict with Statute.
         2. *Action Requested* – To the extent that sidewalk costs are associated with correcting an existing deficiency, such costs should be removed from the Street Report.

   b. RTA Contribution
      i. New growth financing $63 million or 100% of the City's RTA matching obligation.
         1. No substantiation was given as to why new growth should be funding 100% of these costs.
         2. *Action Requested* – Provide additional documentation related to why new growth should be funding 100% of the City's RTA matching obligation.

3. **Park Fee**
   a. Commercial uses are not charged a Park Fee even though the Park Report indicates that commercial uses benefit from the parks.
      i. *Action Requested* – Allocate a portion of the park costs to commercial and industrial land uses based upon the benefit received.

b. No evidence was provided that parks in excess of 30 acres provide a "direct benefit" to city residents. This is especially true given the fact that there are 143 parks located within the City and the City is separated by physical barriers (Interstate 10 and 19) which prevent residents from going to parks outside of their immediate area.

c. The financial impact of parks in excess of 30 acres is illustrated below:

Estimated Financial Impact of
Parks in Excess of 30 Acres

Description		Amount
Parks in Excess of 30 Acres	(a)	25
Total Acreage of Parks > 30 acres	(b)	2,389
Allowable Acres per Statute	(a) x 30 acres = (c)	750
Acreage in Excess of 30 Acres	(b) - (c) = (d)	1,639
Estimated Cost per Acre per Fee Study	(e)	$ 45,000
Impact to IIP	**(d) x (e)**	**$73,755,000**

i. *Action Requested* – Provide evidence of "direct benefit" for parks in excess of 30 acres.

4. **Police and Fire Fee**

a. Single uniform construction costs were applied to all police and fire facilities regardless of building typology, size and/or construction materials. As such, evidence warehouses are valued at the same cost per square foot as police headquarters.

Police and Fire Facilities
Replacement Costs

Description	Fee Study	Third Party Costing Service (1)	Difference	% Difference
Police Facilities	$ 393	$ 250	$ 143	36%
Fire Facilities	$ 320	$ 261	$ 59	18%

Footnotes

(1) McGraw Hill / Engineer News Review

b. *Action Requested* – Provide documentation related to estimated replacement cost per square foot and revise replacement costs based upon the specific building typology being valued.

Gallagher&Kennedy

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June 25, 2014

VIA E-MAIL

Michael Rankin
City Attorney
City of Tucson
P.O. Box 27210
Tucson, Arizona 85726
mike.rankin@tucsonaz.gov

Re: Revisions to Tucson Development Fee Program

Dear Mr. Rankin:

This firm represents the Southern Arizona Homebuilders Association ("SAHBA") regarding the proposed revisions to the Tucson development fee program, which the Tucson Mayor and Council are scheduled to consider during a public hearing on June 30, 2014. The revisions are necessary to conform the development fee program to the provisions of Arizona Revised Statutes §9-463.05 as amended by Arizona Senate Bill 1525, effective January 1, 2012 (the "Statute"). We have reviewed Tucson's proposed revisions and related documents, particularly the Curtis Lueck & Associates Land Use Assumptions Public Report (the "Land Use Assumptions"), Streets Infrastructure Improvements Plan Public Report (the "Streets IIP"), and Parks and Recreational Facilities Infrastructure Improvements Plan Public Report (the "Parks IIP"), all dated April 18, 2014. We also reviewed the Tucson ADA Sidewalk Inventory Study Report (the "Sidewalk Report"), dated October 2012. Based on this review, we have significant concerns with the general methodology used to develop the streets and park development fees, some specific details of each of these fees, and whether the revisions satisfy the statutory requirements for development fee programs, as discussed below. Please note, we have not had an opportunity to review the Infrastructure Improvement Plans for Police Facilities and Fire Facilities. We wanted to share with you first the concerns we have on the streets and park development fees.

Service Areas

It does not appear that the proposed streets and park development fees meet the requirements of the Statute. "Costs for necessary public services made necessary by new development ***shall be based on the same level of service provided to existing development in the service area***." ARS §9-463.05.B(4), emphasis added. As defined in the Statute, a service area is

> [A]ny specified area within the boundaries of a municipality in which development will be served by necessary public services or facility expansions and within which a substantial nexus exists between the necessary public services or facility expansions and the development being served as prescribed in the infrastructure improvements plan. ARS §9-463.05.T.9.

The Streets IIP and the Parks IIP clearly designate transportation and parks service areas, identify necessary public services that arguably are made necessary by new development, and calculate a development fee for streets and parks improvements. However, the development fees for each category of improvement and service area fall short of the statutory requirements in two critical ways: (1) the fees are not based on the necessary public services identified for that service area; rather, the development fees are calculated based on a City-wide "bucket" of necessary public services; and (2) the cost analysis that forms the basis of the fees is not based on a service level analysis for each service area, but rather a list of necessary public services developed by Tucson and its consulting team without regard to the level of service provided to existing development in the service area. **Using city-wide service areas and "buckets" to establish the cost component of the development fees and then assigning the same development fee to all of the five different "service" or "benefit" areas without regard to the projected growth and improvement needs and the existing level of services in those five service/benefit areas violates the Statute and requires revision of the IIPs.**

Streets Fee

We believe there is two primary issues with the proposed street development fee – the manner in which sidewalk improvements are addressed and the contribution to RTA projects. These issues warrant further consideration and potential revision to the Streets IIP.

A basic tenet of a development fee program is that new development/growth pays its way rather than relying on existing development – residential or non-residential – for improvements necessary to serve growth. However, new development is not intended to fund improvements beyond those needed to serve it, i.e. to correct deficiencies in public facilities and provide an improved level of service. This philosophy is reflected in the Statute in several key provisions, including:

> Development fees shall result in a beneficial use to the development. ARS §9-463.05.B.1.
>
> The development ***fee shall not exceed a proportionate share of the cost*** of necessary public services, based on service units, needed to provide necessary public services to the development. ARS §9-463.05.B.3, emphasis added.
>
> ***Costs*** for necessary public services made necessary by the new development ***shall be based on the same level of service provided to existing development in the service area***. ARS §9-463.05.B.4, emphasis added.

> Development ***fees may not be used for . . . [u]pgrading, updating, expanding, correcting*** or replacing existing necessary public services in order ***to meet stricter safety, efficiency, environmental or regulatory standards*** [or . . . to provide a ***higher level of service to existing development***. ARS §§9-463.05.B.5(c) and (d), emphasis added.

The Streets IIP identifies 430 miles of sidewalk expansion (170 miles in the Central service area, 110 miles in the West service area and 150 miles in the East service area) as a necessary public service for existing and new development. The Streets IIP further assigns $107.5 million (equaling 50 percent) of the costs of the expansion to new development through the street development fee. This $107.5 million constitutes approximately 40 percent of the total street improvement costs attributed to new development.

Although sidewalk improvements arguably fit under the Statute's definition of "necessary public service" for streets (see ARS §9-463.05.T.7(e)) and support alternative means of travel through expansion of available pedestrian capacity as noted on page 11 of the Streets IIP, **there is no justification in the IIP for the proposed assignment of the $107.5 million to new development**. The Streets IIP simply states on pages 3 and 11 that one-half of the sidewalk expansion costs are charged to new development. The population in Tucson is projected to increase by approximately 14 percent over the next ten years, according to the Land Use Assumptions. Nothing in the Streets IIP explains how one-half of the sidewalk expansion costs is a proportionate share needed for/caused by this projected 14 percent growth. This is particularly troubling as 100 percent of the sidewalk expansion will occur in only three of the services areas – West, East and Central – despite the fact that 46 percent of the new development is projected for the other two service areas – Southlands and Southeast. It is unclear in the Streets IIP how a new resident in the Southlands or Southeast will have any benefit or any beneficial use from an expanded sidewalk system in central Tucson. **And, under the Statute, growth in one service area cannot legally be made to pay for either existing deficiencies or growth related improvements in a different service area.**

It appears that Tucson is using the streets development fee to correct deficiencies in its sidewalks in older areas of the community. The Sidewalk Report identifies sidewalk gaps and barriers in portions of Tucson that were developed before the 1980s and the problems this situation presents in light of the Americans with Disabilities Act and other regulations. **Use of development fees to address existing problems not caused by new development clearly violates the Statute.**

The Streets IIP proposes that new development fund 100 percent of Tucson's matching contribution for RTA projects. Although this approach likely makes sense and satisfies statutory requirements in areas with significant new growth, e.g. the Southeast service area, nothing in the Streets IIP substantiates the assignment of the RTA funding responsibility solely to new growth in more established regions of Tucson, e.g. the Central service area. At a minimum, more information is needed to identify the RTA funded projects and their benefit for/demand from new growth. **Without a demonstration of the rational nexus between new growth and the RTA funded improvements, it appears this portion of the streets development fee violates the Statute.**

Parks Fee

We believe there are two issues with the proposed park development fee – the development against which the fee is charged and the breadth of improvements included as "eligible park facilities." These issues warrant further consideration and potential revision to the Parks IIP.

According to the Parks IIP, Tucson does not propose to charge a park development fee against non-residential development. The Parks IIP states:

> At this time of this study, the proportionate non-residential cost-share ***is believed*** to be comparatively low. Also, there is ***no readily accepted method to quantify the non-residential demand*** for parks and recreational facilities. Consequently, parks and recreational development fees will continue to apply to new residential development only. Future fee study updates should revisit the non-residential cost-share of public park facilities as additional information on this topic becomes available. Parks IIP, page 11, emphasis added.

However, the Statute clearly states:

> If development fees are assessed by a municipality, the fees shall be assessed against commercial, residential and industrial development, except that the municipality may distinguish between different categories of residential, commercial and industrial development in assessing the cost . . . and in determining the amount of development fee applicable to the category of development. ARS §9-463.05.B.13.

On its face, the Statute requires all types of development to be charged a municipality's development fees with permissible distinctions between categories of each type of development, e.g. single v. multi-family residential or office v. retail commercial. The Statute does not appear to contemplate a complete exclusion of a development type from the assessment of a particular development fee. The Statute also does not suggest exclusion is possible based on an unsubstantiated "belief" or on a municipality's inability to identify a method to study or quantify demand for park facilities from particular types of development. If such exclusion is permissible, at a minimum the Parks IIP should provide some detail for the disparate treatment of development types in the updated development fees. **The very general statements regarding the impact of non-residential development on park demand and the exclusion of such development from the fee appear to violate the intent of the Statute.**

In addition, the Statute significantly limits the park amenities that are eligible for inclusion in a development fee program. The Statute defines "necessary public service" for parks and recreational facilities as:

> Neighborhood parks and recreational facilities on real property up to thirty acres in area, or parks and recreational facilities larger than thirty acres if the facilities provide a ***direct benefit to the development***. Park and recreational facilities do not include vehicles, equipment or that portion of any facility that is used for amusement parks, aquariums,

> aquatic centers, auditoriums, arenas, arts and cultural facilities, bandstand and orchestra facilities, bathhouses, boathouses, clubhouses, community centers greater than three thousand square feet in floor area, environmental education centers, equestrian facilities, golf course facilities, greenhouses, lakes, museums, theme parks, water reclamation or riparian areas, wetlands, zoo facilities or ***similar recreational facilities***, but may include swimming pools. ARS §9-463.05.T.7(g), emphasis added.

The intent of the Statutes clearly is to limit eligible amenities to those traditionally associated with neighborhood parks and to exclude a variety of regional park-type amenities, e.g. cultural facilities and unique recreational facilities, and community or regional parks; the exception to this limitation is the ability for development fees to fund parks larger than 30 acres in size if a direct benefit is demonstrated to the development(s) from which the parks development fee is collected. Despite this limited definition, the Parks IIP appears to include many parks that exceed 30 acres in size and lists many highly specialized recreational facilities that are similar to those listed as exclusions in the Statute.

According to the Parks IIP, the park development fee includes parks in excess of 30 acres because

> [L]ike many communities across the U.S., the City of Tucson Parks and Recreation Department uses a hierarchy of parks that vary in size and facilities to provide a comprehensive level of service to the community. The larger parks typically offer services and facilities that benefit the community at large and which are not found at smaller parks. For example, larger parks...provide a direct benefit to all development within the City of Tucson (i.e. to all service areas) and beyond, as they have facilities with adequate parking and light buffering for baseball and soccer complexes. These larger parks also include most of the community recreation centers and competition-level pools. Parks IIP, page 2.

Although the Parks IIP is correct in stating that park facilities in excess of 30 acres may be funded with development fees, it does not support the inclusion of the larger parks with any data to substantiate the ***direct benefit to the development*** required in the Statute. Rather, the Parks IIP includes a general statement extolling the benefits of large parks that benefit the "community at large" and to "all development with the City of Tucson (i.e. all service areas) and beyond." It is unclear how development in the Southlands or Southeast service areas is benefited directly by park facilities in the Central or West services area, as an example. **Unless the direct benefit of large parks to the development being assessed the park development fee is demonstrated, the proposed fee violates the Statute.**

The Parks IIP also identifies many highly specialized items as development fee eligible necessary public services in its calculation of the new fee. These improvements include disc golf, radio controlled model airfields, bocce courts, tennis facilities, and dog parks. Although such facilities are enjoyable and can enhance a parks experience, they are beyond the "necessary" components of neighborhood parks – those amenities that the Statute contemplates development fees funding. **Without a better explanation of the rationale for including the broad list of items in the park development fee, the proposed fee appears to violate the Statute.**

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Dana Stagg Belknap

DSB

cc: Richard Miranda (via electronic mail)
David Godlewski/SAHBA (via electronic mail)
Shawn Cote/SAHBA (via electronic mail)

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VIA ELECTRONIC MAIL

June 25, 2014

Mr. David Godlewski
Southern Arizona Home Builders Association
2840 North Country Club Road
Tucson, AZ 85716

RE: City of Tucson Transportation Development Impact Fee Review

Dear Mr. Godlewski:

At your request, we have prepared our high level review of the City of Tucson, Arizona's ("City") Streets Infrastructure Improvement Plan prepared by Curtis Lueck & Associates dated April 18, 2014 ("Street Report") and have the following observations, questions and concerns.

I. Streets Report

a. *Service Areas* – The Street Report indicates that it is utilizing "the same service areas currently used" which relate to 5 benefit districts (e.g. service areas) however, the Street Report neither attempts to determine the existing level of service within the 5 service areas (see further discussion below) nor does it estimate the street impact fee based upon current service levels within each service area. At present, the street impact fee appears to be based upon a citywide fee calculation included in the Street Report as Exhibit 9.

Prior to Senate Bill 1525 there was concern that payers of an impact fee in the northern part of a city may not receive the benefit of their impact fee if the jurisdiction allocated their impact fee to build new facilities in the southern part of the city far from the payer's residence. As a result, the requirement for multiple service areas was included in the revision to Arizona Revised Statute ("ARS") 9-463.05 (the "Act"). While the City has identified 5 service areas in its Street Report, it has not taken the necessary steps of determining existing levels of service within each service area and estimating a unique street impact fee for each service area based upon the existing level of service.

Action Required: As the City has identified 5 service areas, the existing level of service should be determined for each service area and a specific street impact fee established for each respective service area.

b. *Levels of Service* – The Street Report identified 5 distinct service areas however, it neither attempts to estimate the existing level of service for each service area nor does it estimate the corresponding impact fee related to each service area based upon its existing level of service.

Action Required: In order to be compliant with ARS 9-463.05.4 which states, "Costs for necessary public services made necessary by new development shall be based on the same level of service provide to existing development in the service area". As such, the Street Report should be revised to determine the existing level of service in each of the 5 service areas and a specific street impact fee established which is unique to the level of service currently being provided in each service area.

c. *Eligible Facilities* - Eligible street facilities are defined by ARS 9-463-05. T. 7. (e) as "Street facilities located in the service area, including arterial or collector streets or roads what have been designated on an officially adopted plan of the municipality, traffic signals and rights-of-way and improvement there on".

The street improvements which new development is being asked to fund through impact fees includes approximately $107.5 million in sidewalks and $63 million in regional transportation improvements in addition to other transportation related improvements. A partial list of these improvements is illustrated in Table 1 below.

Table 1
Partial Listing of Street Improvements

Benefit District	Sidewalks	Bus Pull Outs	Inter-sections	City Contibutions to RTA Projects	Total
Central	$ 42,500,000	$ 1,500,000	$ 2,500,000	$ 15,000,000	$ 61,500,000
West	$ 27,500,000	$ 3,947,558	$ -	$ 13,000,000	$ 44,447,558
East	$ 37,500,000	$ 1,500,000	$ 5,000,000	$ 17,676,923	$ 61,676,923
Southeast	$ -	$ -	$ -	$ 17,323,077	$ 17,323,077
Southlands	$ -	$ -	$ -	$ -	$ -
Total	**$107,500,000**	**$ 6,947,558**	**$ 7,500,000**	**$ 63,000,000**	**$184,947,558**

Source: Street Report – Exhibit 2

Table 2 further breakdowns the aforementioned costs in relation to the total improvement costs which new growth is being asked to fund.

Table 2
Partial Listing of Improvements Related to Total Street Improvement Costs

Description	Total	% of Total
Costs Attributable to New Development	$ 268,318,236	100%
Sidewalks	$ 107,500,000	40.1%
Bus Pull Outs	$ 6,947,558	2.6%
Intersections	$ 7,500,000	2.8%
City Contibutions - RTA Projects	$ 63,000,000	23.5%
Total	**$184,947,558**	**68.9%**

Source: Street Report – Exhibit 2

Sidewalks/Bus Pull Outs and Intersections – The Street Report contains very limited information as to why 430 miles of sidewalks, 41 bus pull outs and several existing intersection improvements are being included as public improvements which new growth is being asked to fund. Other than indicating in what benefit districts the proposed improvements are to be constructed, there is no information related to the specific location and/or individual cost of the proposed improvements. Requiring that new growth to fund these improvements appears to be an unusual request in light of the fact that the majority of the improvement costs are associated with older developed areas of the City (e.g. Central, West and East Benefit Districts).

In order to gain some understanding of the existing levels of service related to sidewalk improvements, we photographed two roadway located in the Central and East Benefit Districts as shown below.

Exhibit A
Fairfield and Limberlost Drive

Exhibit B
4380 East Grant Road

As one may discern from the photos, it would appear that portions of the developed areas of the City are currently lacking adequate sidewalk improvements.

Additional information related to the inadequacy of the City's sidewalk system was further outlined in the City of Tucson's ADA Sidewalk Inventory Study dated October 2012 ("Sidewalk Study") prepared by the City of Tucson's Department of Transportation which indicated that:

1. Sidewalk gaps and other barriers are located in areas of the City that were developed prior to the 1980's and that pedestrian travel was not a high priority in transportation planning during this time period.
2. The American with Disabilities Act of 1990 and related court cases clarified the necessity of local agencies to provide access to all public services as well as private and commercial services necessitating the need for more sidewalks; and
3. Residents have actively opposed sidewalk and other modern roadway features to retain the rural character of the area (e.g. Fort Lowell area).

Given the information above, it would appear that the City may be attempting to correct, update and or upgrade its sidewalk system to address the concerns outlined in the Sidewalk Study however, requiring new growth to correct these existing deficiencies through impact fee funding is not in adherence to the tenants of ARS 9-463.05.5(d) which prohibits “Upgrading, updating, expanding, correcting or replacing existing necessary public services to provide a higher level of service to existing development”.

While the Street Report indicates that it “includes funding primarily for additional lane miles, but also for capacity enhancing bus pull outs and pedestrian facility expansion in denser areas where additional lane miles are infeasible.” Practical experience indicates that few City residents use the sidewalks and that the expenditure of $107.5 million for sidewalks will have little if any impact on roadway capacity.

While the City may wish to improve its sidewalk system as outlined in the Sidewalk Study, the financing of these improvements will have to come from some other funding source than impact fees.

Action Required – To the extent that sidewalks, bus pull outs and intersection improvements are being made to correct existing deficiencies or increase the levels of service, it is requested that these improvement costs be removed for the Street Report and the impact fees adjusted accordingly.

City Contribution to RTA Projects – The City is asking that new growth fund 100 percent of the City’s required matching contribution. The Street Report does not provide any substantiation related to why new growth is solely responsible for the funding of the City’s matching contribution other than “Use of development fee funds for the local match was assigned through subsequent, project specific, intergovernmental agreement between the City and the RTA”. While the City may enter into agreements with other agencies related to the funding of public improvements, the fact that these agreements exist does not create the obligation for new growth to fund these improvements through street impact fees. In order for the City to collect an impact fee for the RTA improvements, the City must adhere to the tenants of the Act by demonstrating that a rational nexus exists between the required improvement(s) and the demands of new growth.

Action Required: As the Street Report does not appear to satisfy the rational nexus test related to the $63 million of regional street improvements, it is suggested that these facilities be removed from the Street Report and the street fee revised accordingly.

e. *<u>Street Construction Costs</u>* – Based upon our experience, the average construction cost of the typical street is approximately $1,200,000 per lane mile. In the author’s estimate of the “Cost of Capacity and Fee Calculation” shown as Exhibit 9 in the Street Report, a figure of $1,400,000 per lane mile is employed to estimate the costs of new roadway capacity. While this figure is within an acceptable range of what one would expect, there is no discussion as to how the author arrived at this figure and it also does not correspond to the roadway costs included within the Street Report as illustrated in Table 3.

Table 3
Estimated Street Costs

Description	Lane Miles	Cost	Cost Per Mile
All Areas	**180.99**	**$ 886,043,350**	**$ 4,895,538**
Specific Benefit Areas (Selected)			
Southeast Benefit District			
Poorman Road	6.7	$ 12,595,455	$ 1,879,919
Val Vista	18	$ 29,922,955	$ 1,662,386
Valencia Road	8	$ 12,303,136	$ 1,537,892
Rita Road	10	$ 18,722,727	$ 1,872,273
Subtotal	42.7	$ 73,544,273	$ 1,722,348
Southlands Benefit District			
Wilmont Road	3	$ 8,400,000	$ 2,800,000
Southeast/Southlands Totals	**45.7**	**$ 81,944,273**	**$ 1,793,091**

Source: Street Report - Exhibit 2

Action Required: Provide additional detail related to the cost per lane mile of capacity of $1,400,000 and how this figure relates to existing levels of service within each benefit area.

f. *Licensed Professionals*– ARS 9-463.05 requires that qualified Arizona licensed professionals prepare the cost estimates. While it appears that the representatives of Psomas are licensed engineers; there is no indication as to who prepared the costs estimates related to the street improvements included as Exhibit 2 in the Street Report.

Action Required – Provide evidence that the street costs contained in Exhibit 2 were prepared by an Arizona state licensed professional.

h. *Miscellaneous Questions* – Based upon our review we request back up and/or further information from the City related to the source information for the following assumptions utilized in the Street Report:

1. How was it determined that 50 percent of the sidewalk, bus pullout and intersection capacity benefited new development and the other 50 percent existing development?
2. What are the sources for the street improvement costs contained within Exhibit 2?
3. Where are the locations of the 430 miles of sidewalks?
4. Where are the locations of the 41 bus pull outs?
5. Where are the locations of the intersections which require improvement?
6. How does the Level of Service D performance standard correspond to the actual existing performance levels of the arterials and collector streets within each benefit district?
7. How was the vehicle capacity enhancement determined for the sidewalks?

8. How was the vehicle capacity enhancement determined for the bus pull outs?
9. What is the current annual ridership of the City’s bus system? How does this compare to the available capacity?
10. As the National Household Travel Survey includes travel on Federal and State Highways, minor collectors and local street as well as travel outside any one jurisdiction; how was the national average trip length adjusted for localized factors?
    a. How was the 60 percent figure derived for travel assumed to be performed on arterials and collectors?
    b. How as the 65 percent figure estimated related to trips with a residential origin/destination?
11. Why was a figure of 2.0 utilized for the retail service unit when the range is between 1.6 to 3.0 with an average of 2.4? Wouldn’t 2.4 be a more appropriate figure as the make-up the retail spaces is currently unknown?
12. With the range of office service units between 0.7 and 2.2, with an average of 1.37 was a figure of 1.2 utilized?
13. How was the allocation of the City’s $63 million RTA contribution determined?

We look forward to discussing our findings in more detail at your convenience.

Sincerely,

Carter T. Froelich
Managing Principal

CTF/kb

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VIA ELECTRONIC MAIL

June 25, 2014

Mr. David Godlewski
Southern Arizona Home Builders Association
2840 North Country Club Road
Tucson, AZ 85716

RE: City of Tucson Parks Development Impact Fee Review

Dear Mr. Godlewski:

At your request, we have prepared our comments related to our high level review of the City of Tucson, Arizona's ("City") Park and Recreational Facilities Infrastructure Improvement Plan prepared by Curtis Lueck & Associates dated April 18, 2014 ("Park Report") and have the following observations, questions and concerns.

I. Parks Report

a. *Service Areas* – The Park Report indicates that prior to the impact fee update, the City utilized a single City-wide service area to calculate park impact fees, but the fees are collected and spent in five (5) benefit districts (e.g. service areas) to ensure that fees are collected and expended where they are collected. While the Park Report narrative appears to indicate that the park fee is based upon five (5) distinct benefit areas, the Park Report neither attempts to determine the existing level of service in the five (5) service areas (see further discussion below) nor does it estimate the park impact fee based upon current service levels within each service area. At present, the park impact fee is based upon a City wide level of service.

Prior to Senate Bill 1525 there was concern that payers of an impact fee in the northern part of a city may not see the benefit of their impact fee as the jurisdiction allocated their impact fee to build new facilities in the southern part of the city far from the payer's residence. As a result, the concept of multiple service areas was included in the revision to Arizona Revised Statute ("ARS") 9-463.05 (the "Act"). While the City has identified these service areas in its Park Report, it has not taken the next necessary step of estimating existing levels of service for each service area and estimating a unique park fee for each service area based upon this existing level of service.

Action Required: As the City has determined five (5) service areas, the existing level of service should be estimated for each service area and a specific park impact fee established for each service area.

b. *Levels of Service* – While the Park Report has identified five (5) distinct service areas, the Park Report neither attempts to estimate the existing level of service for each service area (although it appears that this information is available) nor does it estimate the corresponding impact fee related to each service area based upon its existing level of service. The table below illustrates the disparity in park services between the various service areas. As one will note, the Central Benefit District has sixty-three (63) parks, while the Southlands Benefit District does not have any parks. To stipulate that the Southlands Benefit District enjoys the same level of park service as the other service areas is erroneous.

Table 1
Comparison of Parks by Benefit District

Service Area	Acres	# of Total	# of Parks	% of Total	Avg Park Size
Central Benefit District	549.7	18.2%	63	44.1%	8.7
East Benefit District	545.3	18.1%	33	23.1%	16.5
Southeast Benefit District	419.4	13.9%	15	10.5%	28.0
Southlands Benefit District	0	0.0%	0	0.0%	0.0
West Benefit District	1,501	49.8%	32	22.4%	46.9
Totals	**3,015**	**100%**	**143**	**100%**	**21.1**

Source: Park Report

Action Required: In order to be compliant with ARS 9-463.05.4 which states, "Costs for necessary public services made necessary by new development shall be based on the same level of service provide to existing development in the service area". As such, the Park Report should be revised to determine the existing level of service in each service area and a park impact fee established which is unique to the level of service currently being provided in each service area.

c. *Eligible Facilities- Acreage* - Eligible park facilities are defined by ARS 9-463-05. T. 7. (g) as "Neighborhood parks and recreational facilities on real property up to thirty acres in area, or *parks and recreational facilities larger than thirty acres if the facilities provide a direct benefit to the development* (italics added). Park and recreational facilities do not include vehicles, equipment or portion of any facility that is used for amusement parks, aquariums, aquatic centers, auditoriums, arenas, arts and cultural facilities, bandstand and orchestra facilities, bathhouses, boathouses, clubhouses, community centers greater than three thousand square feet in floor area, environmental educational centers, equestrian centers, golf course facilities, greenhouses, lakes, museums, theme parks, water reclamation or riparian area, wetlands, zoo facilities or similar recreational facilities, but may include swimming pools".

Based upon our review of park facility listing (Appendix B), it was noted that the land acreage calculation contained twenty-five (25) parks in excess of thirty (30) acres containing a total of two thousand three hundred and eighty-nine (2,389) acres. While the Park Report indicated that the parks in excess in thirty provide "a comprehensive level of service to the community" there was no substantiation that the parks provide a "direct benefit" to new development as required by ARS 9-463.05.T. (g). This is especially true given the fact that the City is effectively bisected by Interstate 10 and Interstate 19 which create physical boundaries within the community which most residents will not cross to utilize park facilities. The financial impact related to the inclusion of the parks in excess of thirty (30) acres is illustrated below in Table 2.

Table 2
Parks in Excess of Thirty (30) Acres

Description	Amount
Parks in Excess of 30 Acres	25
Total Acreage of Parks	2,389
Allowable Acres per Statute	750
Acreage in Excess of 30 Acres	1,639
Estimated Cost per Acre	$ 45,000
Impact to IIP	**$ 73,755,000**

Source: Park Report

Action Required: As there is no substantiation within the Park Report that the parks in excess of thirty (30) acres provide a direct benefit to all new development occurring with the City's boundaries, it is suggested that the acreage in excess of thirty (30) acres be removed from the Park Report and the park fee revised accordingly.

d. Eligible Park Facilities

General Facilities – One of the purposes of the Act is to ensure that new growth which provides park funding through the payment of impact fees has nearby recreational opportunities. Necessary recreational opportunities are defined as "Neighborhood parks and recreational facilities." To this end, one would expect a reasonable level of park build out to include open areas, ramadas, park benches, picnic tables, and play facilities. However, there are a number of facilities contained with the Park Report which appear in excess of what would be considered "necessary" for a standard level of park enjoyment. These facilities include a radio controlled airfield, trails, batting cages, concession stands, sand volleyball courts, skate parks, dog parks, and maintenance buildings.

Action Required - Although the aforementioned park facilities are not specifically excluded in the Act, we believe that the facilities fall under the phrase "or similar recreational facilities" pursuant to the definition of Neighbor Parks. As such, it is recommended that the special interest facilities which do not benefit all citizens of the service area be removed from the Park Report and the park fee revised accordingly

Recreational Centers – The Act allows the inclusion of recreational centers which do not exceed three (3) thousand feet in size. The Park Report includes over four hundred and six (406) thousand square feet of recreational facilities with a replacement cost of over one hundred and one (101) million dollars. As there was no further description of how many of these facilities may exceed three (3) thousand feet no additional work could be performed.

Action Required – Provide additional detail related to the size of the recreational centers and remove the costs of all recreational facilities in excess of three (3) thousand square feet as required by the Act.

Swimming Pool Costs – The Park Report indicates that the City has twenty-two (22) swimming pools all with a replacement cost of four (4) million dollars each. As no additional detail was provide related to the age and size of the pools it is doubtful to expect that all of the swimming pools have the same replacement costs.

Action Required – Provide additional detail related to the type, construction and size of each pool included in the Park Report so the assumptions may be reviewed for reasonableness.

e. *Park Construction Costs* – Based upon our experience, the average construction cost of the typical park is approximately one hundred thousand dollars ($100,000) per acre. Pursuant to the Park Report, the replacement cost of the parks (excluding land costs) is estimated to be one hundred and seventy-five thousand four hundred and fifty-three ($173,453) dollars per acre as illustrated below.

Table 3
Average Park Cost

Description	Cost
Total Park Costs	$ 658,614,688
Less: Land Cost	$(135,670,500)
Total Improvement Costs	$ 522,944,188
Total Park Acreage	3,014.9
Average Cost per Acre	**$ 173,453**

Source: Park Report

As the average cost is seventy-three (73) percent higher than that which is typical, it would appear the park facilities include costs associated with facilities items which are typically not found the standard park facility (e.g. radio controlled airfield, trails, batting cages, concession stands, sand volleyball courts, skate parks, dog parks, maintenance buildings) which drive-up the average park cost per acre.

Action Required – In order to be more in line with industry standard related to the costs necessary to construct parks, it is suggested that extraneous park facilities which are not "necessary" as outlined pursuant to ARS 9-463.05 be removed from the Park Report and the park fee revised accordingly.

f. *Licensed Professionals*– ARS 9-463.05 requires that qualified professionals licensed in Arizona prepare the cost estimates. While it appears that one of the consultants who prepared the Park Report is a licensed engineer; there is no indication as to who prepared the costs estimates related to the park improvements. It is not clear from the Park Report if the replacement costs of the public improvements were prepared by qualified Arizona licensed professionals.

Action Required – Provide evidence that the park replacement costs were prepared by an Arizona state licensed professional.

g. *Grant Fund Offset* – It was noticed that the Park Report property adjusted the amount of grant funding received throughout the years to convert the grant funding amounts into 2014 dollars however, it was noted that the Consumer Price Index ("CPI") was utilized for this purpose. As the CPI is reflective of the weighted average prices of a bundle of consumer goods and services such as groceries, medical services and transportation costs as opposed to construction costs and as construction costs increase more rapidly than consumer goods, it is suggest that the Park Report be revised to reflect this difference.

Action Required – Adjust the grant fund offset by adjusting the annual level of grant funding received for specific park improvement by the Engineering News-Record ("ENR") Construction Cost Index ("CCI"). As the CCI specifically tracks the costs of construction labor and materials it is a more applicable adjustment factor than the CPI.

h. *Parks Capital Plan* – In order to explore the relationship between some level of service and the level of expenditures anticipated for each service area we have prepared Table 4 to highlight this relationship.

Table 4
Comparison of Benefit Areas to Planned Park Expenditures

Service Area	# of Parks	% of Total	Capital Plan	% of Total	Anticipated Impact Fees
Central Benefit District	63	44.1%	$ 18,650,000	20.6%	$ 17,740,415
East Benefit District	33	23.1%	$ 17,950,000	19.8%	$ 17,142,946
Southeast Benefit District	15	10.5%	$ 39,250,000	43.4%	$ 37,217,231
Southlands Benefit District	0	0.0%	$ 2,450,000	2.7%	$ 2,433,618
West Benefit District	32	22.4%	$ 12,175,000	13.5%	$ 11,493,506
Totals	**143**	**100.0%**	**$ 90,475,000**	**100.0%**	**$ 86,027,716**

Source: Park Report

The table above illustrates the challenge with the current methodology employed in the Park Report.

For instance, the Southlands Benefit District does not have any parks and as such, its level of service is zero (0) however, the City is planning on expending two and seven tenths of its park impact fee revenues to effectively increase the level of service related to this benefit area. This is in direct conflict with ARS 9-463.05.4.d which states that impact fees may not be used for "upgrading, updating, expanding, correcting or replacing existing necessary public services to provide a higher level of service to existing development".

Additionally, one may discern that approximately forty-three (43) percent of the capital improvements are anticipated to be expended the Southeast Benefit District, yet this area only contains ten and one half (10.5) percent of the City's parks. In isolation, it appears as though other Central, East and West benefit areas will be subsidizing the enhancement of the levels of service for the Southlands and Southeast Benefit Districts. It is for this reason that the Park Report must be revised to evaluate the current levels of service within each benefit area and a specific park fee created for each benefit area. In absence of this change, City residents residing within one benefit area will be funding improvements for which they receive no benefit directly in conflict the ARS 9-463.05.

Action Required – Revise the Park Report to reflect existing levels of service and prepare a park impact fee which is reflective of this level of service.

i. *No Commercial Offset* – On page 11 of the Park Report the author states that, "Both residential and non-residential development generate demand for park service, however, the bulk of the demand is created by residential development. At the time of this study the proportionate non-residential cost share is believed to be relatively low. Also, there is no readily accepted method to quantify the non-residential demand for parks and recreational facilities. Consequently, parks and recreational development fees will continue to apply to new residential development only".

Given the fact that the City has determined that non-residential development benefits from park services but is unwilling to estimate this benefit and levy the impact fee on non-residential development, this in essence constitutes a "waiver" of the park fee on non-residential development. ARS 9-463-.05.13 states that, "If a municipality agrees to waive any of the development fees assessed on a development, the municipality shall reimburse the appropriate development fee accounts for the amount that was waived." While the non-residential impact fees have not yet been assessed to non-residential development, the unwillingness of the City to estimate the non-residential fee for which it has admitted non-residential development benefits is in essence a waiver of the impact fee for non-residential growth.

Action Required – It is suggested that the City estimate the benefit that non-residential development derives from the City parks and charge non-residential growth for their fair share of the park improvements or alternatively, the City should reimburse the development impact fees accounts for these foregone non-residential fees. In either case, it will be necessary for the City to determine the existing levels of service by service area by non-residential use category and determine the appropriate impact fee for each non-residential use category. Additionally, the residential impact fee will have to be revised downward to account for the benefit which non-residential development receives.

We look forward to discussing our findings in more detail at your convenience.

Sincerely,

Carter T. Froelich
Managing Principal

CTF/kb

DPFG
DEVELOPMENT PLANNING & FINANCING GROUP, INC.

3302 E. INDIAN SCHOOL ROAD
PHOENIX, ARIZONA 85018
TEL (602) 381-3226
FAX (602) 381-1203
www.dpfg.com

VIA ELECTRONIC MAIL

June 25, 2014

Mr. David Godlewski
Southern Arizona Home Builders Association
2840 North Country Club Road
Tucson, AZ 85716

RE: City of Tucson Police and Fire Development Impact Fee Review

Dear Mr. Godlewski:

At your request, we have prepared comments related to our high level review of the City of Tucson, Arizona's ("City") Infrastructure Improvement Plan Police Facilities and the Infrastructure Improvement Plan Fire Facilities prepared by Curtis Lueck & Associates dated May 1, 2014 (the "Police Report" and the "Fire Report" respectively) and have the following observations, questions and concerns.

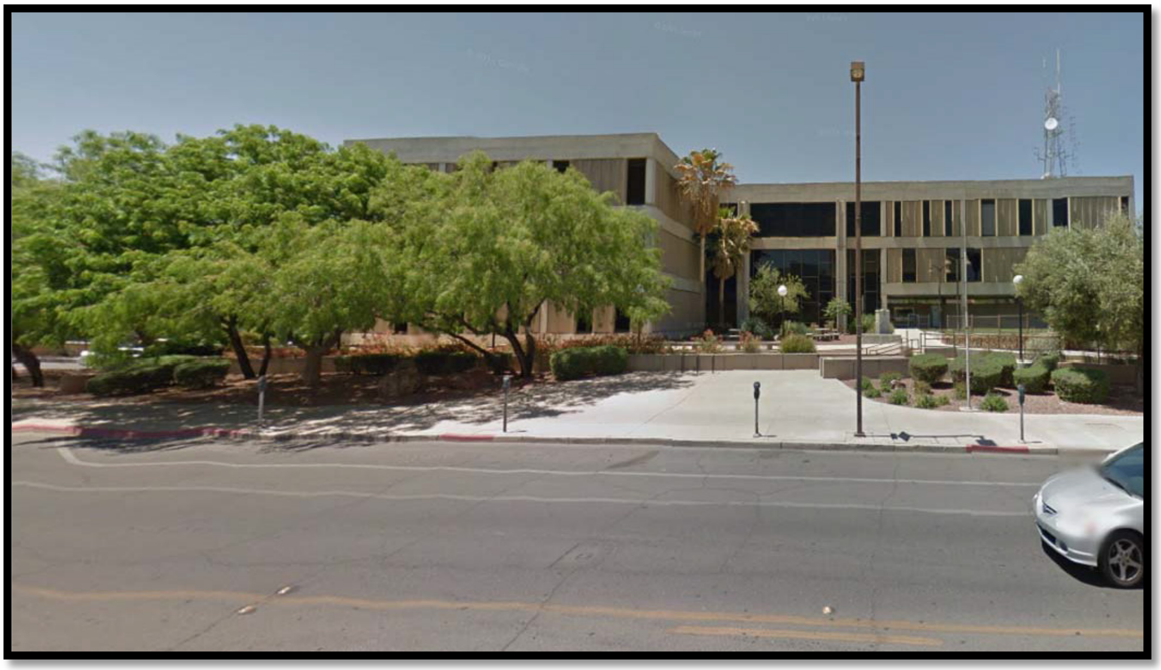
I. Police Report

a. *Proportionate Share* – The Police Report utilizes 2007 call data related to the source of emergency calls while the Fire Report provides 2014 call data. As it is not possible to determine the appropriateness of the allocation of calls between residential and commercial uses utilizing call data which is 7 years out of date, it is requested that the City provide 2013 or 2014 call data.

Action Required: Provide the 2013 or 2014 call data related to the source of police calls for the City and revise the Police Report Accordingly. **[NOTE: I DO NOT KNOW IF THIS WILL RESULT IN A BETTER SPLIT THAN 60% RESDIENTIAL AND 40% COMMERCIAL. WHAT ARE YOUR THOUGHTS?]**

b. *Building Replacement Value* – The Police Report utilizes a replacement cost of $393.30 per square foot ("PSF") in relation to the replacement of all of the City's police buildings. The utilization of a uniform cost PSF would indicate that all of the City's police facilities are constructed to the same standard however, the pictures shown below indicates that this is not the case.

270 S. Stone Ave.
Tucson, AZ 85701



4410 S. Park Ave.
Tucson, AZ 85706

1300 W Silverlake Road
Tucson, AZ 85713

Additionally, the replacement cost for the police buildings of $393.30 PSF which was provided by the Tucson Police Department, appears to be much higher than that reported by third party costing services. An estimate of police station costs from these services provides an estimated cost of approximately $250.00 PSF. As Arizona Revised Statute 9-463-05. E. 1. requires that costs be prepared by "qualified professionals licensed in this state" it is suggested that the City's police facilities be classified based upon building typology and an Arizona licensed civil / structural engineer prepare the requisite cost estimate for each individual police facility.

Action Required – It is suggested that the individual building replacement costs be revised to match building typology rather than utilizing one uniform replacement cost for all building types. It is further requested that building replacement costs be estimated by a licensed civil / structural engineer and the Police Report revised accordingly.

c. *Land Values* – Land values utilized in the Police Report range from $2.87 to $46.00 PSF. Based upon a preliminary analysis of land being offered for sale in the metro Tucson area (see Table 1 below), it would appear that the majority of land values utilized in the Police Report are reasonable, with the exception of the 3.21 acre Police Headquarter site which is currently being valued at $46.00 PSF.

Table 1
Listing of Metro Tucson Land Prices

Address	Zoning	Size	Price	Price/PSF
South Park Avenue, Tucson	Retail	0.49	$ 76,000	$ 3.56
1249 East 22nd Street, Tucson	Comm.	1.5	$ 575,000	$ 8.80
SWC Rita Road / Houghton Rd, Tucson	Retail	1.62	$ 1,200,000	$ 17.01
8300 Silverbell Road, Marana	Office	2.35	$ 590,000	$ 5.76
18th Street East of I-10, Tucson	Indust.	2.55	$ 240,000	$ 2.16

Source: Loopnet

Action Required: Please provide substantiation related to the land value of $46.00 PSF for the Police Headquarters site.

d. *Eligible Police Vehicles / Equipment*

Vehicles – No information was provided as to the replacement costs and/or make up the vehicle fleet. As such, no determination can be rendered in relationship to the reasonableness of the replacement costs of the fleet.

Action Required – Please provide a detail listing of the vehicles included in the "Patrol Vehicles" and "Unmarked Fleet" descriptions and provide a recent purchase order and/or invoice related to the costs of such vehicles.

Equipment – No information was provided related to the costs listed in Exhibit 4 of the Police Report and as such no determination can be made as to the reasonableness of the replacement costs.

Action Required – Please provide additional detailed back up of the figures making up the replacement costs of the equipment in Exhibit 4.

Credit- Adjusted Facilities Valuation – At present, police facilities are being valued at their current 2014 replacement value however, it appears as though credit for the past bond issuances is being provided in terms of 1994 and 2000 dollars. In order to properly match replacement costs with credit amounts, both figures should be in terms of 2014 dollars. Additionally, it was not clear if the $14,919,427 credit for federal grants was in terms of 2014 dollars.

Action Required – Revise the outstanding bonded indebtedness and federal grant credit figures to reflect 2014 dollars and revise the credit amount accordingly.

e. *Persons Per Household* – We have not been able to substantiate the 2.8 persons per single family household, 1.9 persons per condo/attached unit and/or 1.7 persons per MFR/apartment/mobile home. We have reviewed the links to the data sites included in the body of the Police Report and have not been able to locate any references to these figures.

Action Required – Please provide back-up documentation related to the persons per dwelling unit as utilized in the report.

f. *Licensed Professionals*– ARS 9-463.05 requires that qualified professionals licensed in Arizona prepare the cost estimates. While one of the consultants who prepared the Police Report is a licensed engineer; it appears as though all of the costs estimates in the Police Report were prepared by the "Tucson Police Department".

Action Required – Provide evidence that the policy replacement costs were prepared by an Arizona state licensed professional. If not, such costs should be prepared by a licensed professional and the report revised accordingly.

g. *Ten Year Capital Improvement Plan* – It appears that the Joint TFD/TPD Communication Center project totaling $2,999,660 may not be an appropriate use of development impact fees. The description of Project #108 – Communication Center Expansion indicates in its project description that this project "will renovate and expand the existing police, fire and 911 facilities at the Thomas Price Service Center. In addition to the physical construction, the existing radio system will be transitioning to the regional Pima County Wireless Integrated Network (PCWIN) radio system. The new PCWIN radio system will be replacing the 32 year old radio system that has exceeded its service life. The project will incorporate the use of Pima County Bond money and City of Tucson money. The physical construction and expansion will allow dispatchers to operate with the latest dispatch design and equipment as well as providing the additional space for improved operations and training…."

ARS 9-463.05.5 c stipulates that impact fees cannot be used for "upgrading, updating, expanding, correcting or replacing existing necessary public services…". Given the fact that the expenditures are being to renovate and replace aging equipment the use of impact fees for this use may be prohibited. Additionally, if it is determined that Pima County bonds will be issued in the future to finance police and fire facilities, then additional credit offsets should be determined and provided as part of the update of the Police and Fire Reports.

Action Required – Determine which portion of the TFD/TPD Communication project are eligible for impact fee financing (if any). Additionally, as it appears as though the City is planning on utilizing future Pima County bond issuances to fund future police and fire improvements, such costs should be accounted and additional credits given in relation to these expected funding sources.

II. Fire Report

a. *Proportionate Share* – In our opinion the residential calls include calls from uses which are more appropriately described as non-residential uses. We have revised Exhibit 2 from the Fire Report as follows.

Table 2
Revised Calls by Land Use Schedule

Description	Current	Revised	Total	%
Non-Residential Uses				
Educational	1,187		1,187	
Commercial / Office	4,456		4,456	
Industrial, Utility, Defense	143		143	
Institutional	7,921		7,921	
Manufacturing	48		48	
Public Assembly	2,270		2,270	
Warehouse and Storage	485		485	
Dormitory Type Residents	-	353	353	
Hotels, Motels	-	774	774	
Boarding rooms, residential hotels	-	101	101	
Subtotal	16,510	1,228	17,738	28.6%
Residential Uses				
Apartments	1,301		1,301	
Dormitory Type Residents	353	(353)	-	
Hotels, Motels	774	(774)	-	
Residential, other	39,085		39,085	
Boarding rooms, residential hotels	101	(101)	-	
Single - Two Family Dwellings	3,980		3,980	
Subtotal	45,594	(1,228)	44,366	71.4%
Total	**62,104**	**-**	**62,104**	**100.0%**

Source: Fire Report

Additionally provide additional detail as to what type of calls are included in the "Residential, other" category.

Action Required: Please provide additional information related to the types of calls included in the "Residential, other" category and move non-residential calls as preliminarily identified above to the non-residential category.

b. *Building Replacement Value* – The Fire Report utilizes a replacement cost of $320.00 PSF in relation to the replacement of the City's physical fire stations/buildings. The utilization of a uniform cost PSF would indicate that all of the City's fire facilities are constructed to the same standard however, the pictures shown below shows that this is not an accurate assumption.

24 North Norris Avenue
Tucson, AZ 85719

1855 West Drexel Road
Tucson, AZ 85746

2700 North Dragoon Street
Tucson, AZ 85745

4075 East Timrod Street
Tucson, AZ 85711

5757 South Liberty Avenue
Tucson, AZ 85706

300 S Fire Central Pl
Tucson, AZ 85701

Additionally, there was no source provided for the $320.00 replacement cost for the fire buildings which appears to be higher than that reported by third party costing services. These costing services provide construction costs PSF of approximately $261.00 PSF. As Arizona Revised Statute 9-463-05. E. 1. require that costs be prepared by "qualified professionals licensed in this state" it is suggested that the City's fire facilities be classified based upon building typology and an Arizona licensed civil / structural engineer prepare the requisite cost estimate for the individual police facilities.

Action Required – It is suggested that the individual building replacement costs be revised to match building typology rather than utilizing one uniform replacement cost for all building types. It is further requested that building replacement costs be estimated by a licensed civil / structural engineer rather than by the police department and that the Fire Report be revised accordingly.

c. *Land Values* – Land values utilized in the Police Report range from $1.34 to $40.00 PSF. Based upon our preliminary analysis of land being offered for sale in the metro Tucson area (see Table 3 below), it would appear that all of the land values are reasonable, with the exception of the 3.49 acre Fire Central Place site which is currently being valued at $40.00 PSF.

Table 3
Listing of Metro Tucson Land Prices

Address	Zoning	Size	Price	Price/PSF
South Park Avenue, Tucson	Retail	0.49	$ 76,000	$ 3.56
1249 East 22nd Street, Tucson	Comm.	1.5	$ 575,000	$ 8.80
SWC Rita Road / Houghton Rd, Tucson	Retail	1.62	$ 1,200,000	$ 17.01
8300 Silverbell Road, Marana	Office	2.35	$ 590,000	$ 5.76
18th Street East of I-10, Tucson	Indust.	2.55	$ 240,000	$ 2.16

Source: Loopnet

Action Required: Please provide substantiation related to the land value of $40.00 PSF for the Fire Central Place site. Additionally, please provide information as to the nature and use of the PSAT site listed as 69.81 acres located at 10251 South Wilmot Road.

d. *Eligible Fire Vehicles / Equipment*

Vehicles – No information was provided as to the replacement costs of the vehicle fleet. As such, no determination can be rendered in relationship to the reasonableness of its replacement costs.

Action Required – Please provide a recent purchase order and/or invoice related to the costs of fire vehicles. Additionally, please describe the nature and uses of the "Truck Fire Prevention" vehicles.

Credit - Adjusted Facilities Valuation – At present, fire facilities and equipment are being valued at their current 2014 replacement value however, it appears as though credit for the past bond issuances is being provided in terms of 1994 and 2000 dollars. In order to properly match replacement costs with credit amounts, both figures should be in terms of 2014 dollars. Additionally, it was not clear if the $4,321,675 credit for federal grants was in terms of 2014 dollars.

Action Required – Revise the outstanding bonded indebtedness and federal grant figures to reflect 2014 dollars and revise the credit amount accordingly.

e. *Persons Per Household* – We have not been able to substantiate the 2.8 persons per single family household, 1.9 persons per condo/attached unit and/or 1.7 persons per MFR/apartment/mobile home. We have reviewed the links to the data sites included in the body of the Fire Report and have not been able to locate any references to these figures.

Action Required – Please provide back-up documentation related to the persons per dwelling unit as utilized in the report.

f. *Licensed Professionals*– ARS 9-463.05 requires that qualified professionals licensed in Arizona prepare the cost estimates. While it appears that one of the consultants who prepared the Fire Report is a licensed engineer; there is no indication who prepared the cost estimates.

Action Required – Provide evidence that the fire facilities and equipment replacement costs were prepared by an Arizona state licensed professional. If not, such costs should be revised pursuant to costs prepared by such a professional and the report revised accordingly.

g. *Ten Year Capital Improvement Plan* – It appears that Joint TFD/TPD Communication Center project totaling $1,687,300 may not be an appropriate use of development impact fees. The description of Project #108 – Communication Center Expansion indicates in its project description that this project "will renovate and expand the existing police, fire and 911 facilities at the Thomas Price Service Center. In addition to the physical construction, the existing radio system will be transitioning to the regional Pima County Wireless Integrated Network (PCWIN) radio system. The new PCWIN radio system will be replacing the 32 year old radio system that has exceeded its service life. The project will incorporate the use of Pima County Bond money and City of Tucson money. The physical construction and expansion will allow dispatchers to operate with the latest dispatch design and equipment as well as providing the additional space for improved operations and training…."

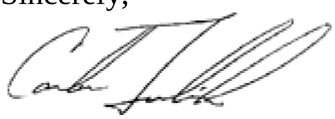
ARS 9-463.05.5 c stipulates that impact fees cannot be used for "upgrading, updating, expanding, correcting or replacing existing necessary public services…". Given the fact that the expenditures are being to renovate and replace aging equipment the use of impact fees for this use may be prohibited. Additionally, if it is determined that Pima County bonds will be issued in the future to finance police and fire facilities, then additional credit offsets should be determined and provided as part of the update of the Police and Fire Reports.

Action Required – Determine which portion of the TFD/TPD Communication project are eligible for impact fee financing (if any). Additionally, as it appears as though the City is planning on utilizing future Pima County bond issuances to fund future police and fire improvements, such costs should be accounted and additional credits given in relation to these expected funding sources.

Special Resource Stations/Equipment – Please describe the needs and uses of Special Resource Stations and Equipment.

We look forward to discussing our findings in more detail at your convenience.

Sincerely,



Carter T. Froelich
Managing Principal

CTF/kb